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A New Flowering of Co-operation



Address of G. D. Ogden, Traffic Manager,
Eastern Region, Pennsylvania Railroad,
before the Twentieth Regular Meeting,
Great Lakes Regional Advisory Board,
Commodore Perry Hotel, Toledo, Ohio,
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A New Flowering of Co-operation

MR. CHAIRMAN, MEMBERS AND GUESTS OF THE
GREAT LAKES REGIONAL ADVISORY BOARD:

Mr. Stevens, in extending an invitation to be here today, I assume, did so with kindly intent, because we have been friends for many years. No doubt Mr. Stevens wishes me to do well, all of which implies a great responsibility in my humble effort to bring to you a message that will at least merit your moderate approbation.

Advisory Boards throughout the country are of comparatively recent origin and so is the present-day efficiency of American railroads. There is no doubt whatever that the former preceded the latter; also, by the same process of analysis, every fair-minded railroad man concedes the argument that the trail was blazed at the early conferences, now popularly known as Advisory Board meetings, for intimate mutual understanding. Also, even to a greater degree, high-powered inspiration was realized, which was followed by constructive group action for what has become, generally, the most efficient and expeditious transportation service of all time for the distribution of commercial commodities.

IMPROVED RAILROAD SERVICE.

It requires much effort to increase successfully the speed of large organizations as typified by the Group 1 railroads, which, put another way, means we have nearly half of the railway mileage of the

world with only 6% of the population. New methods had to be discovered to replace old ones that had failed and were doomed to be scrapped. The Great Lakes Regional Advisory Board and sister organizations deserve, and are cheerfully accorded, generous credit for having "whetted" the appetites of transportation men for bigger and better things until you actually find always present at these splendid meetings, keen and healthful competition between the railroads for more business based upon meritorious performance, and so stated by their duly authorized representatives in open meeting without fear of contradiction. A few contributory factors will prove of interest:

In 1920, 24½% of all freight locomotives were in bad order. In 1927, this had been reduced to 16.4%.

In 1920, 7% of all the freight cars in the country were in bad order. In 1927, this had been reduced to 6.5%.

In 1920, the average distance traveled by a freight car was 25.1 miles per day. In 1927, this had been increased to 30.4 miles per day, a gain of 21% in the effectiveness of freight car movement.

In 1920, the average freight train was 37 cars. In 1927, this figure advanced to 45 cars, an increase of 22%.

In 1920, the average freight train carried 708 tons of freight. In 1927, this increased to 772 tons, a gain of 9%.

In 1920, car shortages were severe and costly. In 1926 and 1927, with greatly increased traffic, car shortages were practically eliminated.

Despite the marked improvement, yet much remains in the future for successful development of industry, perfection of processes and quality of product before we attain the goal for economic trans-

portation, sales and distribution. I cheerfully proffer the challenge that the railroads will continue to show improvement and arise to meet successfully the new demands upon them. These have been greatly simplified during recent years by that substantial encouragement, through recognition upon your part that industrial success in the past always has been preceded by prosperous railroads. We must see to it on the railroad side that nothing occurs to impair such confidence. May we therefore very briefly review a few of the factors responsible for our unprecedented prosperity during 1927:

The American standard of living, according to a report issued by the Bureau of Internal Revenue, has now attained a level wholly without precedent or parallel. Because it is human nature to live as well as circumstances will permit, the scale of living of any people constitutes a trustworthy index to the merits of the economic and political system under which we live.

BASIC FACTORS IN AMERICAN PROSPERITY.

We have in this country 15 telephones per 100 persons as against 3 telephones per 100 in Great Britain, yet Great Britain is one of the most advanced nations of Europe.

We lead the world in the use of the radio and are well on the way to supremacy in commercial aviation, which has experienced a remarkable growth in the last seven years, chiefly under the impetus of private capital. Sixty-six station stops, serving eighty-four cities with an aggregate population of 24,000,000, were linked up in the regular air routes during 1927. The transcontinental air mail route is undoubtedly the finest example of flying in the world today. Most of the flying in Europe is under government supervision, either military or civil.

Another explanation of our business activity and prosperity is that our people are buying and using more goods than in any previous period. They are not afraid to spend, a trait that is made effective by another typical characteristic—they are not afraid to work. Even though the nation's resources are virtually unlimited, they would count for little if it were not for the industry of the people.

Many articles which were luxuries a few years ago are now regarded as necessities of life; furthermore, a family of ordinary means in this country enjoys comforts and conveniences that are beyond the reach of even well-to-do families in the old world. These are indices of that wide diffusion of wealth in this country which frequently lead superficial observers to assert that Americans live extravagantly. Automobiles and radios in hundreds of thousands of American homes, which also use electricity, sanitary plumbing and modern heating plants, scarcely can be regarded as having impoverished the people, especially when it is recalled that our people also have \$26,000,000,000 on deposit in savings accounts. Twelve years ago, the savings accounts in the country amounted to only \$6,000,000,000.

Therefore, a new meaning for the word "thrift" has been evolved as contrasted with the self-sacrifice of our forefathers.

It can be very properly questioned if it necessarily follows that spending is an economic crime, or that saving is an economic virtue. There is a happy medium. "If one spends what he should prudently save, that certainly is to be deplored, but if one saves what he should prudently spend, that is not necessarily to be commended." The best definition is, to work diligently and spend prudently, which is characteristic of a large proportion of our citizenry and one of the important fundamental causes for present-day prosperity.

While marveling at the unrivaled prosperity of this country, many of us have been wondering about the underlying causes. They are obviously numerous, but a phenomenon which I shall describe as the "New Flowering of Co-operation" seems entitled to recognition as the basic cause.

THE NEW FLOWERING OF CO-OPERATION.

Large capital investment is the system of political economy under which the leading nations of the world, with one notorious exception, are living and have lived for many years. Its origin is, of course, not American, going back to the earliest times; but in the course of its advance to new heights in the United States, the system has been so extensively expanded, refined and adapted to meet our special needs that what may be termed a distinct American co-operative technique has been evolved. The new factors supplied by the United States are: 1st, almost unlimited natural resources; 2d, the energy and thrift of the people; 3d, the vision and boldness of business and industrial leaders; and 4th, fundamental political institutions encouraging individual effort and enterprise under equal freedom of opportunity for all.

It is not surprising, therefore, that corporations, the agencies through which the system operates at maximum efficiency, are larger and more numerous in the United States than in any other country. These huge co-operative enterprises, representing the combined capital of many individuals, have made possible the use of machinery on such a gigantic scale that the American workman has become a director of machinery in the fullest meaning of that term. The outstanding characteristics of the new

American co-operative technique are mass production, quick distribution, steady employment, good wages and heavy consumption.

Although large capital investment, like other things of human contrivance, has its defects, most of the civilized world is yet to be convinced that socialism, communism and any other proposed system offers more advantages and fewer disadvantages. The present dominant position of the corporate form of organizing capital is the result of an evolution of industrial methods in this country covering approximately a century.

A hundred years ago, factories or other enterprises were small and production was low. Then a man, or a small group of men, was able to supply the capital and manage the business, while the employes, enjoying direct contact with the owner and manager, were able to negotiate individually for the sale of their time and labor.

With the coming of machinery, however, trade, manufacturing, transportation and communication began their expansion into the great realms they occupy today, and direct contact necessarily became only moderately possible. The individual owner was replaced by large companies owned by thousands of stockholders, and the individual became a worker in an organization having thousands of employes. This change led to misunderstanding and conflict. In the confusion of readjustment, it required time for both management and men to perceive that their respective interests are in the last analysis identical, rather than divergent.

The situation finally forced what some economists termed a belated appreciation of the importance of proper human relations in industry, and threw into bold relief the need for finding an effective substitute for that vanished personal contact between

management and employe, which, under the more favorable conditions of small industry, invariably nurtured the feeling of unity and partnership.

The development of intensive human relation programs has stimulated the growth of a more enlightened and rational interpretation of self-interest in the collective mind of both employer and employe, and the absence in recent years of serious conflicts between capital and labor certainly is due, at least in part, to this new point of view.

A NEW ERA IN HUMAN RELATIONS.

Typical human relation programs usually include some procedure for orderly collective bargaining, retirement and pension provisions, thrift agencies, and employe ownership of capital stock. All these features have contributed to the success of the general program, but we may regard as peculiarly significant the employe stock ownership plans which many corporations have in operation today, because they are transforming thousands of wage earners into employe-capitalists. This function is one of the most encouraging aspects of the new and vast development of industry.

The special merit of employe stock ownership plans is that they make thrift easy and convenient. Capital stock can be acquired through installment payments, taken care of by regular payroll deductions. This mechanism makes employes' saving systematic and automatic, and then carries it along to safe investment.

A device of this nature is a veritable boon to that large class of employes in every organization not previously trained to save by ordinary methods. On the other hand, it enables corporations to recruit thousands of partners from a field formerly undeveloped.

More than 400 corporations in America now have employe stock ownership plans of various types in operation, and the results attained, combined with the ordinary saving by wage earners, constitute an impressive advance in the ownership and use of capital by employes. In fact, it is no longer possible to say with any degree of accuracy that this man is a wage earner and that man is a capitalist.

These plans are undoubtedly warranted in part by considerations of company advantage, but every one recognizes a joint benefit to both employe and company from the mere substitution of habitual thrift for habitual improvidence. Any effect of owning company stock on employe morale, on employe attitude toward company affairs or on employe stability is surely of importance, but behind all these plans is a sincere interest in the personal and family security of the individual wage earner, in seeing him get ahead, experience happiness in living, and get something put by against life's inevitable emergencies.

Employe ownership of stock, therefore, because the plan works well both ways, is now generally conceded to be a perfectly logical and practical development, which seems destined to bring the modern idea of industrial co-operation between men and management to its greatest usefulness.

The relations between capital and wage earners are not, however, the only field in which the growing spirit of co-operation has been instrumental in bringing about notable progress. During recent years business has come to appreciate its own responsibilities, its own duties of self-control—its obligation not merely to keep within the law, but to make its practices conform with the broad principles of fairness and justice beyond what the law specifically commands.

In other words, business is adopting ethical standards of the professions and in so doing is meriting

the designation now sometimes applied to business—"The oldest of the arts and the newest of the professions." This greatly improved and enlightened spirit now largely dominates the competitive and other relations which obtain between enterprises in the same field of industry, as well as the contacts of business in general with the public and governmental authorities.

In this connection, I would like to read an excerpt from an editorial recently appearing in the *Wall Street Journal* as appertaining to the automotive industry, a major activity in the Great Lakes region:

"In all human relations other than commercial it is old wisdom that courtesy has a moral value of its own, and all the more so when it costs those who display it something of an effort. We at least set ourselves a standard when we strive to seem to be that which we know we should be. The persistent practice of good behavior against natural impulses in the end affects character for the better. These are truisms in respect to the ordinary personal contacts, but it is only comparatively recently that business men have begun seriously to question their ancient rule of 'Tear or be torn.' "

This editorial was acknowledged by Mr. Alfred Reeves, General Manager, National Automobile Chamber of Commerce. I shall not take time to read the letter in its entirety but merely quote an excerpt:

"Editor of the Wall Street Journal:

"We all read the editorial 'Courtesy Among Competitors' with great interest, and it already has brought much favorable comment. It is a fact we may be a little broader in the automobile industry than in most industries, but we have found it pays socially as well as financially.

* * * * *

"We did put 700 patents in a pool, permitting every member to use them without money payment, and we do many other things at which some of the older industries look aghast.

* * * * *

"Practically every big manufacturer is a director here, and acts as chairman of some committee which is doing constructive work for the benefit of the industry as a whole.

"Incidentally, we are duplicating your article for distribution throughout the industry."

However, the immense growth in the power and influence of business, following the advent of mass production, together with the great combinations of capital which were subsequently formed, created a somewhat general feeling, doubtless in some degree justified, that the public welfare required business to be regulated. Obviously this regulation must be done either by the government or by business itself.

PUBLIC REGULATION IN BUSINESS.

In this country we experimented first with government regulation, as exemplified by the anti-trust laws, and the dissolution suits brought under them, and later by the formation, some 13 years ago, of the Federal Trade Commission.

The Commission was created by Congress to prevent, or at any rate make difficult, unfair practices and unfair wasteful methods of competition in business. It was supposed to function by giving publicity to its adverse findings, the thought being that public opinion would compel the abandonment of practices so condemned.

It must be confessed that at the start the Commission was not popular with business or business leaders. In fact, sentiment was distinctly hostile to it. On the other hand, it is not going too far to say that the Commission in many respects, during its earlier days, at times exhibited alleged unsound and radical tendencies.

BUSINESS INAUGURATES VOLUNTARY REGULATION.

This was an undesirable situation, but fortunately it did not prove permanent. The approach toward a common meeting ground was made by moves on both sides. The Commission, on its side, swung away from the radical viewpoint; business, on its side, moved toward realization of the fact that abandonment of questionable or unpopular practices, or wasteful methods in competition, would be good for business itself as well as for the general public.

What happened was simply that enlightened self-interest brought clearly to the collective mind of business the value and necessity of proper group action and the need for formulating ethical standards of group conduct and service to the public.

These developments are now exemplified in general movements set up in practically every great branch of business, trade and industry, establishing standards of conduct toward both patrons and competitors comparable with those long recognized among the members of the learned professions.

Thus business by voluntary agreement among its leaders is creating what is virtually a new and self-imposed system of law. It is placing the seal of condemnation on abuses or other practices tending to impair the public confidence in the integrity of business men, or which taint with unfairness the relations of business men with the public or with one

another, resulting in wasteful or extravagant competition. Fair and sound practices are thus enforced through the extremely effective sanction of group action and group standards of conduct.

In this work of voluntary regulation, business, instead of being hindered, has received invaluable aid from the Federal Trade Commission. In the year 1919, the Commission inaugurated what is generally known as its "trade practice submittal plan." The working of this plan is very simple. A committee, representative of any given trade, meets in conference with one or more members of the Commission. At this conference practices are considered and agreed upon intended to remedy any wrongful condition already existing, and obviate wrongful acts or unfair or wasteful practices in the future

These proceedings, it should be understood, are voluntary and are not legally binding upon either the trade affected or upon the Commission. In practice, however, they have been found fully as effective as any law which could be formally enacted, and probably in most cases much more effective than actual legislation.

When a set of trade rules have been thus established, the Commission treats any subsequent violation as *prima facie* evidence of the use of unfair methods. Such violations have not often occurred, but when they have, it has rarely been necessary for the Commission to do more than call the attention of the offending member to the fact that he has broken one of the rules established by the joint action of his own trade.

We may therefore enter upon 1928 with renewed assurance that industrial and transportation principles of conduct are showing constructive advancement each succeeding year. Let us hope as a nation we shall forge ahead to greater heights of commercial supremacy during the current year.

In closing, our President, General W. W. Atterbury, commented upon the railway outlook for 1928 as follows:

“Railroads are operating today with greater confidence in the future than they have had in the last twenty years. This is due chiefly to two outstanding factors:

“1st —Railroad service itself is better today than it ever was, and,

“2nd—The people of the United States know it and want it continued; and railroad investors are encouraged to furnish more capital for the expansion and improvement of that service.”

I thank you.

